

Message Text

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ACTION ARA-10

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TO SECSTATE WASHDC 5851

INFO AMEMBASSY BRASILIA

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SUBJECT: GOB STATES GUIDELINES FOR SELF-SUFFICIENCY IN PETRO-
CHEMICALS

1. ON DECEMBER 5 THE FEDERAL MINISTERS ON THE BOARD OF THE ECONOMIC DEVELOPMENT COUNCIL SUBMITTED TO THE PRESIDENT OF THE REPUBLIC GUIDELINES FOR THE EXPANSION OF BRAZIL'S PETROCHEMICAL INDUSTRY WITH A VIEW TO MAKING IT SELF-SUFFICIENT BY 1979/80. A WORKING GROUP WAS FORMED UNDER THE COORDINATION OF THE MINISTRY OF COMMERCE AND TRADE WITH REPRESENTATIVES FROM THE MINISTRIES OF MINES AND ENERGY AND FINANCE, AND THE SECRETARIAT OF PLANNING, WITH AUTHORITY TO STUDY AND PROGRAM THE EXPANSION OF BRAZIL'S PETROCHEMICAL INDUSTRY AND SUBMIT A PRELIMINARY PROPOSAL WITHIN 60 DAYS FOLLOWED BY A FEASIBILITY STUDY WITHIN SIX MONTHS. THE FEASIBILITY STUDY IS TO INCLUDE DETAILED INFORMATION ON ADDITIONAL PRODUCTION CAPABILITY NEEDED BETWEEN NOW AND 1979/80, INCLUDING THE BASIC TECHNOLOGICAL REQUIREMENTS FOR THE ESTABLISHMENT OF NEW PETROCHEMICAL COMPLEXES, THE LOCATION OF THE NEW PRODUCTION UNITS

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AND TIMETABLES FOR ON-STREAM OPERATIONS, THE DEFINITION OF RAW

MATERIALS REQUIREMENTS AND THEIR GEOGRAPHICAL ORIGIN, AND A FINANCIAL-MANAGEMENT PROGRAM TO CARRY OUT COMPLETION OF THE REQUIRED NEW PETROCHEMICAL CENTERS AND RELATED DOWNSTREAM OPERATIONS.

2. PRESIDENT GEISEL APPROVED THE ECONOMIC DEVELOPMENT COUNCIL'S PROGRAM ON DECEMBER 6 AND THE STUDY GROUP REPORTEDLY IS WORKING ON THE PRELIMINARY PROPOSAL WHICH WILL BE SUBMITTED TO THE PRESIDENT SOMETIME IN FEBRUARY 1975.

3. COMMENT: BRAZIL'S DECISION TO BECOME SELF-SUFFICIENT IN PETRO-CHEMICALS BY 1980 WAS MADE PUBLIC A FEW DAYS BEFORE NEWS OF THE LARGE OIL DISCOVERY IN THE CAMPOS GAROUPA FIELD, WHICH MAY MAKE BRAZIL SELF-SUFFICIENT IN CRUDE OIL WITHIN THREE YEARS. IT WOULD APPEAR, THEREFORE, THAT THE STUDY GROUP'S PRELIMINARY SURVEY, TO BE COMPLETED IN FEBRUARY, WILL BE MOST TENTATIVE, SINCE IT WILL BE DIFFICULT TO DETERMINE AT THIS TIME WHERE THE NEW PETROCHEMICAL POLES WILL BE ESTABLISHED PRIOR TO THE ASSESSMENT OF THE NEW OIL FINDS. IT IS PROBABLY THAT THE SAO PAULO AND BAHIA PETROCHEMICAL POLES WILL BE REINFORCED AND THAT NEW CORE PLANTS WILL PROBABLY BE SET UP IN THE CAMPOS GAROUPA AREA AND POSSIBLY IN SERGIPE IN NORTHEAST BRAZIL. CONSIDERATION PROBABLY WILL ALSO BE GIVEN TO THE ESTABLISHMENT OF A PETROCHEMICAL POLE IN THE

SOUTHERNPART OF BRAZIL, POSSIBLY IN THE STATES OF PARANA AND RIO GRANDE DO SUL. DOWNSTREAM OPERATIONS COULD BE PROGRAMMED ONLY WHEN THE LOCATION OF THESE CORES IS ESTABLISHED. THEY TOO WILL DEPEND A GREAT DEAL ON THE RAW MATERIALS TO BE USED, CURRENTLY EITHER NAPHTHA OR NATURAL GAS.

4. INDUSTRY CONTACTS IN SAO PAULO, SOMEWHAT SKEPTICAL OF THE SELF-SUFFICIENCY CONCEPT, NONETHELESS FEEL THAT IT MIGHT BE POSSIBLE FOR BRAZIL TO BECOME SELF-SUFFICIENT IN PETROCHEMICALS BY THE END OF THE DECADE, BUT THIS WOULD REQUIRE MASSIVE INVESTMENTS OVER THE NEXT FEW YEARS IN ADDITION TO THE US\$1 BILLION ALREADY PROGRAMMED FOR THE BAHIAN PETROCHEMICAL POLE. THE NATIONAL ECONOMIC DEVELOPMENT BAND (BNDE) PROBABLY WILL BE REQUIRED TO FINANCE A LARGE PORTION OF THE SEED MONEY FOR BRAZIL'S PETROCHEMICAL SELF-SUFFICIENCY PROGRAM AND BRAZIL WILL HAVE TO COUNT ON FOREIGN FINANCING AND KNOW-HOW ON A SCALE AT LEAST TWICE AS LARGE AS THAT WHICH WAS REQUIRED IN THE ESTABLISHMENT OF THE SAO PAULO PETROCHEMICAL LIMITED OFFICIAL USE

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CORE BETWEEN 1968/74.
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